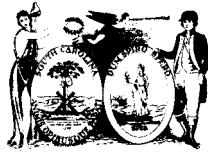


State of South Carolina



Office of the State Auditor

1401 MAIN STREET, SUITE 1200
COLUMBIA, S.C. 29201

THOMAS L. WAGNER, JR., CPA
STATE AUDITOR

(803) 253-4160
FAX (803) 343-0723

August 6, 2002

Mr. Thomas Penley, President
Allgood Healthcare, Inc.
409A Pleasant Home Road
Martinez, Georgia 30907

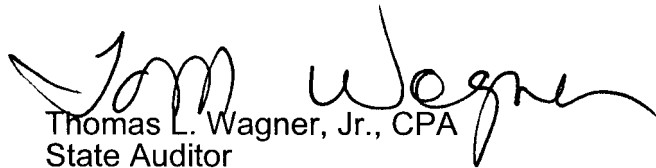
Re: AC# 3-OBG-J0 – Orangeburg Nursing Home

Dear Mr. Penley:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period October 1, 1999 through September 30, 2000. That report was used to set the rate covering the contract period beginning October 1, 2001.

We are recommending that the Department of Health and Human Services certify an accounts receivable to recover amounts due as a result of the rate change shown on Exhibit A. You will be notified of repayment terms by that Agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.


Thomas L. Wagner, Jr., CPA
State Auditor

TLWjr/sag

cc: Ms. Brenda L. Hyleman
Mr. Jeff Saxon
Mr. Joseph Hayes

ORANGEBURG NURSING HOME
ORANGEBURG, SOUTH CAROLINA

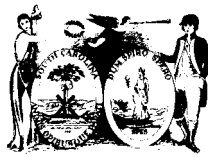
CONTRACT PERIOD
BEGINNING OCTOBER 1, 2001
AC# 3-OBG-J0

AGREED-UPON PROCEDURES REPORT
ON CONTRACT
FOR
PURCHASE OF NURSING CARE SERVICES
WITH
STATE OF SOUTH CAROLINA
DEPARTMENT OF HEALTH AND HUMAN SERVICES

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

May 29, 2002

Department of Health and Human Services
State of South Carolina
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with Orangeburg Nursing Home, for the contract period beginning October 1, 2001, and for the twelve month cost report period ended September 30, 2000, as set forth in the accompanying schedules. The management of Orangeburg Nursing Home is responsible for the Financial and Statistical Report for Nursing Homes and supporting accounting and statistical records. This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

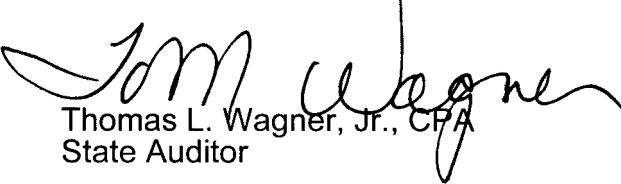
The procedures and the associated findings are as follows:

1. We tested selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by Orangeburg Nursing Home, to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summary of Costs and Total Patient Days, and Cost of Capital Reimbursement Analysis sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the Department of Health and Human Services and Orangeburg Nursing Home dated as of October 1, 1994 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computation of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services
State of South Carolina
May 29, 2002

These agreed-upon procedures do not constitute an audit of financial statements or any part thereof, the objective of which is the expression of an opinion on the financial statements or a part thereof. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.



Thomas L. Wagner, Jr., CPA
State Auditor

ORANGEBURG NURSING HOME
Computation of Rate Change
For the Contract Period Beginning October 1, 2001
AC# 3-OBG-J0

10/01/01-
09/30/02

Interim Reimbursement Rate (1)	\$86.36
Adjusted Reimbursement Rate	<u>82.51</u>
Decrease in Reimbursement Rate	<u>\$ 3.85</u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated January 25, 2002.

ORANGEBURG NURSING HOME

Computation of Adjusted Reimbursement Rate
For the Contract Period October 1, 2001 Through September 30, 2002
AC# 3-OBG-J0

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$38.06	\$58.68	
Dietary		9.77	11.36	
Laundry/Housekeeping/Maintenance		<u>7.62</u>	<u>9.21</u>	
Subtotal	<u>\$5.55</u>	55.45	79.25	\$55.45
Administration & Medical Records	<u>\$4.54</u>	<u>7.84</u>	<u>12.38</u>	<u>7.84</u>
Subtotal		63.29	<u>\$91.63</u>	63.29
<u>Costs Not Subject to Standards:</u>				
Utilities		1.53		1.53
Special Services		-		-
Medical Supplies & Oxygen		3.20		3.20
Taxes and Insurance		2.05		2.05
Legal Fees		<u>-</u>		<u>-</u>
TOTAL		<u>\$70.07</u>		70.07
Inflation Factor (3.80%)				2.66
Cost of Capital				6.66
Cost of Capital Limitation				-
Profit Incentive (Max. 3.5% of Allowable Cost)				2.45
Cost Incentive				5.55
Effect of \$1.75 Cap on Cost/Profit Incentives				(6.25)
Nurse Aide Staffing Add-On 10/01/00				<u>1.37</u>
 ADJUSTED REIMBURSEMENT RATE				 <u>\$82.51</u>

ORANGEBURG NURSING HOME
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2000
AC# 3-OBG-J0

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		Adjusted <u>Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$1,205,175	\$ 35 (1)	\$ -	\$1,205,210
Dietary	371,772	-	62,210 (3)	309,562
Laundry	57,335	-	-	57,335
Housekeeping	128,067	-	-	128,067
Maintenance	55,922	-	-	55,922
Administration & Medical Records	290,056	-	41,769 (2)	248,287
Utilities	48,336	-	-	48,336
Special Services	-	-	-	-
Medical Supplies & Oxygen	115,668	-	14,357 (3)	101,311
Taxes and Insurance	64,852	-	-	64,852
Legal Fees	-	-	-	-
Cost of Capital	209,965	471 (4)	808 (1)	210,851
		1,223 (5)		
Subtotal	2,547,148	1,729	119,144	2,429,733
Ancillary	63,207	-	-	63,207
Non-Allowable	179,023	773 (1)	471 (4)	296,438
		41,769 (2)	1,223 (5)	
		76,567 (3)		
Total Operating Expenses	<u>\$2,789,378</u>	<u>\$120,838</u>	<u>\$120,838</u>	<u>\$2,789,378</u>
Total Patient Days	<u>31,669</u>	<u>-</u>	<u>-</u>	<u>31,669</u>

ORANGEBURG NURSING HOME
Adjustment Report
Cost Report Period Ended September 30, 2000
AC# 3-OBG-J0

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Other Equity	\$128,780	
	Restorative	35	
	Nonallowable	773	
	Fixed Assets		\$104,375
	Accumulated Depreciation		24,405
	Cost of Capital - Depreciation Expense		808
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Nonallowable	41,769	
	Administration		41,769
	To adjust home office cost allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
3	Nonallowable	76,567	
	Medical Supplies & Oxygen		14,357
	Dietary		62,210
	To remove special (ancillary) services reimbursed by Medicare State Plan, Attachment 4.19D		
4	Accumulated Depreciation	24,175	
	Cost of Capital - Depreciation Expense	471	
	Other Equity		24,175
	Nonallowable		471
	To adjust accumulated depreciation and depreciation expense for the deemed asset value limitation State Plan, Attachment 4.19D		

ORANGEBURG NURSING HOME
Adjustment Report
Cost Report Period Ended September 30, 2000
AC# 3-OBG-J0

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
5	Cost of Capital Nonallowable	1,223	1,223
	To adjust capital return State Plan, Attachment 4.19D		
		<hr/>	<hr/>
	TOTAL ADJUSTMENTS	<u>\$273,793</u>	<u>\$273,793</u>

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

ORANGEBURG NURSING HOME
Cost of Capital Reimbursement Analysis
For the Contract Period Ended September 30, 2000
AC# 3-OBG-J0

	<u>Old Beds</u>	<u>New Beds</u>	
Original Asset Cost (Per Bed)	\$ 15,618	\$ 15,618	
Inflation Adjustment	<u>2.3848</u>	<u>2.3848</u>	
Deemed Asset Value (Per Bed)	37,246	37,246	
Number of Beds	<u>74</u>	<u>14</u>	
Deemed Asset Value	2,756,204	521,444	
Improvements Since 1981	530,797	9,903	
Accumulated Depreciation at 9/30/00	<u>(997,510)</u>	<u>(147,582)</u>	
Deemed Depreciated Value	2,289,491	383,765	
Market Rate of Return	<u>.058</u>	<u>.058</u>	
Total Annual Return	132,790	22,258	
Return Applicable to Non-Reimbursable Cost Centers	-	-	
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	
Allowable Annual Return	132,790	22,258	
Depreciation Expense	45,593	10,210	
Amortization Expense	-	-	
Capital Related Income Offsets	-	-	
Allocation of Capital Expenses to Non-reimbursable Cost Centers	<u>-</u>	<u>-</u>	<u>Total</u>
Allowable Cost of Capital Expense	178,383	32,468	\$210,851
Total Patient Days (Actual)	<u>26,631</u>	<u>5,038</u>	<u>31,669</u>
Cost of Capital Per Diem	\$ <u><u>6.70</u></u>	\$ <u><u>6.44</u></u>	\$ <u><u>6.66</u></u>

ORANGEBURG NURSING HOME
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 2000
AC# 3-OBG-J0

	<u>Old Beds</u>	<u>New Beds</u>
6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$4.81	\$ N/A
Adjustment for Maximum Increase	<u>3.99</u>	<u>N/A</u>
Maximum Cost of Capital Per Diem	\$ <u>8.80</u>	\$ <u>6.44</u>
Reimbursable Cost of Capital Per Diem		\$6.66
Cost of Capital Per Diem		<u>6.66</u>
Cost of Capital Per Diem Limitation		\$ <u>-</u>

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